

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2769

ANNUAL FINANCIAL REPORT

2010

CITY OF MADISON

JEFFERSON COUNTY, INDIANA



FILED
09/27/2011

TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Schedule of Officials	2
Independent Auditor's Report on Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	3-4
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	5-6
Financial Statement(s): Statement(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	8
Notes to Financial Statement(s)	9-14
Supplementary Information: Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis	16-26
Schedule of Capital Assets	27
Schedule of Long-Term Debt	28
Audit Result(s) and Comment(s): Micro-Loan Program	29-34
Position Paid From Multiple Funds	34
Compensation Not on Salary Ordinance	35
Approval of Vouchers From Tax Increment Financing Fund	35
Expenditures Paid From Tax Increment Financing Fund	36-39
Other Expenditures Paid From Tax Increment Financing Fund	39
Water Utility Operating Funds Used for City Expenses	39
Tax Increment Financing Fund Loan Not Repaid	39
General Fund Used for Wastewater Project	40
Contracts	40
Payments in Excess of Contract	40
Federal and State Agencies – Compliance Requirements	41
Employees Also Paid for Janitorial Duties	41
Supplemental Audit of Federal Awards: Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133	44-45
Schedule of Expenditures of Federal Awards	46
Note(s) to Schedule of Expenditures of Federal Awards	47
Schedule of Findings and Questioned Costs	48-50
Auditee Prepared Schedule(s): Summary Schedule of Prior Audit Findings	51
Corrective Action Plan	52
Exit Conference	53
Official Response	54-60

SCHEDULE OF OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Clerk-Treasurer	David Adams	01-01-08 to 12-31-11
Mayor	Tim Armstrong	01-01-08 to 12-31-11
President of the Board of Public Works and Safety	Tim Armstrong	01-01-08 to 12-31-11
President of the Common Council	Rick Berry Darrell Henderson	01-01-10 to 12-31-10 01-01-11 to 12-31-11
Utility Manager/Engineer	Randy Eggenstiller	01-01-10 to 12-31-11
Utility Office Manager	David Stucker (Office Vacant) Brian Jackson	01-01-10 to 02-24-10 02-25-10 to 03-23-10 03-24-10 to 12-31-11



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

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**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

TO: THE OFFICIALS OF THE CITY OF MADISON, JEFFERSON COUNTY, INDIANA

We have audited the accompanying financial statement(s) of the City of Madison (City), for the year ended December 31, 2010. These financial statement(s) are the responsibility of the City's management. Our responsibility is to express opinions on these financial statement(s) based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement(s) are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement(s). An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion(s).

As discussed in Note 1, the City prepares its financial statement(s) on the prescribed basis of accounting that demonstrates compliance with the reporting requirements established by the State Board of Accounts as allowed by state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The basis of accounting noted above is a different basis than that used in the prior year.

In our opinion, the financial statement(s) referred to above presents fairly, in all material respects, the financial position and results of operations of the City for the year ended December 31, 2010, on the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued a report dated August 11, 2011, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Our audit was conducted for the purpose of forming an opinion on the City's financial statement(s). The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statement(s). Such information has been subjected to the auditing procedures applied in the audit of the financial statement(s) and, in our opinion, is fairly stated, in all material respects, in relation to the financial statement(s) taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the City's financial statement(s). The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, Schedule of Capital Assets, and Schedule of Long-Term Debt are presented for additional analysis and are not required parts of the financial statement(s). The Combining Schedule(s) of Receipts, Disbursements, and Cash and Investment Balances – Regulatory Basis, the Schedule of Capital Assets, and Schedule of Long-Term Debt have not been subjected to the auditing procedures applied by us in the audit of the financial statement(s) and, accordingly, we express no opinion on them.

The City's response to the Audit Result(s) and Comment(s) identified in our audit is described in the accompanying section of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 11, 2011



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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

TO: THE OFFICIALS OF THE CITY OF MADISON, JEFFERSON COUNTY, INDIANA

We have audited the financial statement(s) of the City of Madison (City), for the year ended December 31, 2010, and have issued our report thereon dated August 11, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion(s) on the financial statement(s), but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement(s) will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statement(s) are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's response to the findings identified in our audit is described in the accompanying sections of the report entitled Official Response. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City's management, Common Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 11, 2011

FINANCIAL STATEMENT(S)

CITY OF MADISON
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CASH AND INVESTMENT BALANCES -
REGULATORY BASIS
For The Year Ended December 31, 2010

	Cash and Investments 01-01-10	Receipts	Disbursements	Cash and Investments 12-31-10
General	\$ 1,906,798	\$ 5,093,180	\$ 4,952,794	\$ 2,047,184
Petty Cash	385	-	-	385
Motor Vehicle Highway	75,960	312,554	374,939	13,575
Local Road And Street	62,983	54,728	62,541	55,170
Aviation	93,503	117,026	104,913	105,616
Park Nonreverting Operating	60,503	186,985	163,990	83,498
Police Continuing Education	17,990	10,774	17,174	11,590
Unsafe Building	5,000	-	5,000	-
Riverboat Distribution Fund	528,950	75,121	-	604,071
Park & Recreations-General	676,853	971,097	1,055,692	592,258
Park Donation	3,830	250	155	3,925
Rainy Day	472,345	142,657	2,043	612,959
Police K-9	16,359	4,277	18,305	2,331
Levy Excess	-	15,167	-	15,167
Police Donation	5,474	8,251	9,925	3,800
Revolving Loan	580,774	13,525	110,213	484,086
Sunrise Golf Course Nro	545	750	700	595
Riverfront Development Grant	3,000	-	-	3,000
Madison City Tree Board	981	1,235	350	1,866
City Employee Donation Fund	7,981	7,888	13,823	2,046
Realestate Sales Proceeds	14,360	-	-	14,360
Community Of Compassion	7,439	-	-	7,439
Micro-Enterprise Grant#Mp94-003	29,974	-	-	29,974
Owner Occupied Rehab Grant	-	18,038	18,038	-
Madison Economic Dev Comm Inv	31,613	12,421	44,034	-
Madison Beautification Fund	111	5	-	116
Bi-Centennial Fund	60,572	18,431	6,884	72,119
Stage Fund Nro	2,296	608	-	2,904
Senior Citizens Fund	1,092	21,996	14,472	8,616
Fire Department Federal Grant	-	3,903	3,903	-
Micro Loan Fund	28,352	55,017	59,787	23,582
Heritage Trails Fund	201	-	-	201
Farmers Market Grant Fund	183	420	208	395
Urban Forestry Fund	1,193	503	1,280	416
Scenic Byway Fund	1,265	21,714	21,714	1,265
Disaster Mitigation (Fema)	59,976	131,058	147,720	43,314
Community Development Action Grant	793,552	-	-	793,552
Fire Company Investment	528,510	51,374	-	579,884
Utility Insufficient Check Fund	500	-	-	500
Transfer Station Operating	141,043	867,781	947,998	60,826
Aviation-Nro	126,754	71,302	89,702	108,354
Broadway Fountain Donation	1,162	448	-	1,610
Railroad Clean-Up	462	-	188	274
Owner Occupied Revolving Loan	1,468	-	1,468	-
Comm. Dev & Event Fund	-	10,925	9,759	1,166
Tif	4,666,719	1,173,148	894,732	4,945,135
Cumulative Capital Development	356,603	211,605	192,420	375,788
Aviation State Grant #3900101	6,180	115,562	121,739	3
Cumulative Capital Improvement	59,893	35,147	25,565	69,475
County Tax Fund	894,373	726,647	1,000,370	620,650
Police Pension	489,443	450,976	447,666	492,753
Payroll	146,710	6,794,184	6,765,530	175,364
Insurance Fund	48,242	21,692	31,818	38,116
Sewage Operating	40,994	3,041,816	2,704,186	378,624
Sewage Bond & Interest	326,537	1,152,835	1,133,118	346,254
Sewage Debt Reserve	929,851	661,858	924,686	667,023
Jefferson County Sewage Operating	77,776	532,869	223,780	386,865
Sewage SRF ARRA Grant	-	1,000,000	1,000,000	-
Sewage SRF Loan Construction	-	420,242	420,242	-
Water SRF Loan Construction	-	301,018	301,018	-
Water Utility-Operating	347,109	2,161,467	2,176,133	332,443
Water Utility-Bond And Interest	275,772	419,425	425,938	269,259
Water Utility-Customer Deposit	8,112	15,664	15,525	8,251
Water Utility-Debt Reserve	389,794	10,166	52	399,908
Water Meter Investment	35,424	-	-	35,424
Totals	<u>\$ 15,451,824</u>	<u>\$ 27,547,730</u>	<u>\$ 27,064,230</u>	<u>\$ 15,935,324</u>

The notes to the financial statement(s) are an integral part of this statement.

CITY OF MADISON, JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENT(S)

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The City was established under the laws of the State of Indiana. The City operates under a Council-Mayor form of government and provides some or all of the following services: public safety (police and fire), highways and streets, health and social services, culture and recreation, public improvements, planning and zoning, general administrative services, water, wastewater, electric, gas, storm water, trash, aviation, and urban redevelopment and housing.

The accompanying financial statement(s) present(s) the financial information for the City (primary government), and does not include financial information for any of the City's legally separate component units, which accounting principles generally accepted in the United States of America require to be reported with the financial information of the City (primary government).

B. Basis of Accounting

The financial statements are reported on a regulatory basis of accounting prescribed by the State Board of Accounts in accordance with state statute (IC 5-11-1-6), which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recorded when received and disbursements are recorded when paid.

The regulatory basis of accounting differs from accounting principles generally accepted in the United States of America in that receipts are recognized when received in cash, rather than when earned, and disbursements are recognized when paid, rather than when a liability is incurred.

C. Cash and Investments

Investments are stated at cost. Any changes in fair value of the investments are reported as receipts in the year of the sale of the investment.

D. Receipts

Receipts are presented in the aggregate on the face of the financial statements. The aggregate receipts may include, but are not limited to, the following sources:

Taxes which can include one or more of the following: property taxes, certified shares (local option tax), property tax replacement credit (local option tax), county option income tax, wheel tax, innkeepers tax, food and beverage tax, county economic development income tax, boat and trailer excise tax, county adjusted gross income tax, and other taxes that are set by the City.

Licenses and permits which include amounts received from businesses, occupations, or nonbusinesses that must be licensed before doing business within the government's jurisdiction or permits levied according to the benefits presumably conferred by the permit. Examples of licenses and permits include: peddler licenses, dog tax licenses, auctioneer license, building and planning permits, demolition permits, electrical permits, sign permits, and gun permits.

CITY OF MADISON, JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Intergovernmental receipts which include receipts from other governments in the form of operating grants, entitlements, or payments in lieu of taxes. Examples of this type of receipts include, but are not limited to: federal grants, state grants, cigarette tax distributions received from the state, motor vehicle highway distribution received from the state, local road and street distribution received from the state, financial institution tax received from the state, auto excise surtax received from the state, commercial vehicle excise tax received from the state, major moves distributions received from the state, and riverboat receipts received from the county.

Charges for services which can include, but are not limited to the following: planning commission charges, building department charges, copies of public records, copy machine charges, accident report copies, gun permit applications, 911 telephone services, recycling fees, dog pound fees, emergency medical service fees, park rental fees, swimming pool receipts, cable tv receipts, ordinance violations, fines and fees, bond forfeitures, court costs, and court receipts.

Fines and forfeits which include receipts derived from fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations (fines), and for the neglect of official duty and monies derived from confiscating deposits held as performance guarantees (forfeitures).

Utility fees which are comprised mostly of charges for current services.

Other receipts which include amounts received from various sources which can include, but are not limited to the following: net proceeds from borrowings; interfund loan activity; transfers authorized by statute, ordinance, resolution or court order; internal service receipts; and fiduciary receipts.

E. Disbursements

Disbursements are presented in the aggregate on the face of the financial statements. The aggregate disbursements may include, but are not limited to, the following uses:

Personal services include outflows for salaries, wages, and related employee benefits provided for all persons employed. In those units where sick leave, vacation leave, overtime compensation, and other such benefits are appropriated separately, such payments would also be included.

Supplies which include articles and commodities that are entirely consumed and materially altered when used and/or show rapid depreciation after use for a short period of time. Examples of supplies include office supplies, operating supplies, and repair and maintenance supplies.

Other services and charges which include, but are not limited to: professional services, communication and transportation, printing and advertising, insurance, utility services, repairs and maintenance, and rental charges.

Debt service principal and interest which include fixed obligations resulting from financial transactions previously entered into by the City. It includes all expenditures for the reduction of the principal and interest of the City's general obligation indebtedness.

CITY OF MADISON, JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Capital outlay which include all outflows for land, infrastructure, buildings, improvements, and machinery and equipment having an appreciable and calculable period of usefulness.

Utility operating expenses which include all outflows for operating the utilities.

Other disbursements which include, but are not limited to the following: interfund loan payments, loans made to other funds, internal service disbursements, and transfers out that are authorized by statute, ordinance, resolution, or court order.

F. Interfund Transfers

The City may, from time to time, transfer money from one fund to another. These transfers, if any, are included as a part of the receipts and disbursements of the affected funds and as a part of total receipts and disbursements. The transfers are used for cash flow purposes as provided by various statutory provisions.

G. Fund Accounting

Separate funds are established, maintained, and reported by the City. Each fund is used to account for money received from and used for specific sources and uses as determined by various regulations. Restrictions on some funds are set by statute while other funds are internally restricted by the City. The money accounted for in a specific fund may only be available for use for certain, legally restricted purposes. Additionally, some funds are used to account for assets held by the City in a trustee capacity as an agent of individuals, private organizations, other funds, or other governmental units and therefore the funds cannot be used for any expenditures of the unit itself.

Note 2. Budgets

The operating budget is initially prepared and approved at the local level. The fiscal officer of the City submits a proposed operating budget to the governing board for the following calendar year. The budget is advertised as required by law. Prior to adopting the budget, the governing board conducts public hearings and obtains taxpayer comments. Prior to November 1, the governing board approves the budget for the next year. The budget for funds for which property taxes are levied or highway use taxes are received is subject to final approval by the Indiana Department of Local Government Finance.

Note 3. Property Taxes

Property taxes levied are collected by the County Treasurer and are scheduled to be distributed to the City in June and December; however, situations can arise which would delay the distributions. State statute (IC 6-1.1-17-16) requires the Indiana Department of Local Government Finance to establish property tax rates and levies by February 15. These rates were based upon the preceding year's March 1 (lien date) assessed valuations adjusted for various tax credits. Taxable property is assessed at 100 percent of the true tax value (determined in accordance with rules and regulations adopted by the Indiana Department of Local Government Finance). Taxes may be paid in two equal installments which normally become delinquent if not paid by May 10 and November 10, respectively.

CITY OF MADISON, JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Note 4. *Deposits and Investments*

Deposits, made in accordance with state statute (IC 5-13), with financial institutions in the State of Indiana at year end should be entirely insured by the Federal Depository Insurance Corporation or by the Indiana Public Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

State statutes authorize the City to invest in securities including, but not limited to, federal government securities, repurchase agreements, and certain money market mutual funds. Certain other statutory restrictions apply to all investments made by local governmental units.

Note 5. *Risk Management*

The City may be exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses or injuries to employees; medical benefits to employees, retirees, and dependents; and natural disasters.

These risks can be mitigated through the purchase of insurance, establishment of a self-insurance fund, and/or participation in a risk pool. The purchase of insurance transfers the risk to an independent third party. The establishment of a self-insurance fund allows the City to set aside money for claim settlements. The self-insurance fund would be included in the financial statements. The purpose of participation in a risk pool is to provide a medium for the funding and administration of the risks. These risks may also be mitigated by the City by recording as a disbursement and replacement items purchased.

Note 6. *Pension Plan(s)*

A. Public Employees' Retirement Fund

Plan Description

The Indiana Public Employees' Retirement Fund (PERF) is a defined benefit pension plan. PERF is an agent multiple-employer public employee retirement system, which provides retirement benefits to plan members and beneficiaries. All full-time employees are eligible to participate in this defined benefit plan. State statutes (IC 5-10.2 and 5-10.3) govern, through the PERF Board, most requirements of the system, and give the City authority to contribute to the plan. The PERF retirement benefit consists of the pension provided by employer contributions plus an annuity provided by the member's annuity savings account. The annuity savings account consists of members' contributions, set by state statute at 3 percent of compensation, plus the interest credited to the member's account. The employer may elect to make the contributions on behalf of the member.

PERF administers the plan and issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

CITY OF MADISON, JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Funding Policy and Annual Pension Cost

The contribution requirements of the plan members for PERF are established by the Board of Trustees of PERF.

B. 1925 Police Officers' Pension Plan

Plan Description

The 1925 Police Officers' Pension Plan is a single-employer defined benefit pension plan. The plan is administered by the local pension board as authorized by state statute (IC 36-8-6). The plan provides retirement, disability, and death benefits to plan members and beneficiaries. The plan was established by the plan administrator, as provided by state statute. The plan administrator does not issue a publicly available financial report that includes financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members for the 1925 Police Officers' Pension Plan are established by state statute.

On Behalf Payments

The 1925 Police Officers' Pension Plan is funded by the State of Indiana through the Public Employees' Retirement Fund as provided under Indiana Code 5-10.3-11.

C. 1977 Police Officers' and Firefighters' Pension and Disability Fund

Plan Description

The 1977 Police Officers' and Firefighters' Pension and Disability Fund is a cost-sharing multiple-employer defined benefit pension plan administered by the Indiana Public Employees' Retirement Plan (PERF) for all police officers and firefighters hired after April 30, 1977.

State statute (IC 36-8-8) regulates the operations of the system, including benefits, vesting, and requirements for contributions by employers and by employees. Covered employees may retire at age 52 with 20 years of service. An employee with 20 years of service may leave service, but will not receive benefits until reaching age 52. The plan also provides for death and disability benefits.

PERF issues a publicly available financial report that includes financial statements and required supplementary information for the plan as a whole and for its participants. That report may be obtained by contacting:

Public Employees' Retirement Fund
Harrison Building, Room 800
143 West Market Street
Indianapolis, IN 46204
Ph. (317) 233-4162

CITY OF MADISON, JEFFERSON COUNTY
NOTES TO FINANCIAL STATEMENT(S)
(Continued)

Funding Policy

The contribution requirements of plan members and the City are established by the Board of Trustees of PERF.

Note 7. Financial Activity Not Included in Financial Statements

During 2010, the City received approval for a \$500,000 loan from the Indiana Finance Authority, State Revolving Fund (SRF) for a Wastewater Utility project. Receipt and disbursement activity for the loan was not recorded in the City's records. Loan proceeds were not passed down to the City but retained by the Indiana Finance Authority. Project costs totaling \$500,000 were submitted to and paid directly to vendors by the Indiana Finance Authority State Revolving Fund. This loan is included on the City's supplemental schedule of long-term debt.

SUPPLEMENTARY INFORMATION – UNAUDITED

For additional financial information, the City of Madison's Annual Report(s) can be found on the Indiana Transparency Portal website: www.in.gov/itp/annual_reports/.

CITY OF MADISON
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010

	General	Petty Cash	Motor Vehicle Highway	Local Road And Street	Aviation	Park Nonreverting Operating
Cash and investments - beginning	\$ 1,906,798	\$ 385	\$ 75,960	\$ 62,983	\$ 93,503	\$ 60,503
Receipts:						
Taxes	4,319,870	-	-	-	99,108	-
Licenses and permits	71,157	-	-	-	-	-
Intergovernmental	363,299	-	312,439	54,613	6,918	-
Charges for services	20,655	-	-	-	-	159,245
Fines and forfeits	4,312	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	313,887	-	115	115	11,000	27,740
Total receipts	5,093,180	-	312,554	54,728	117,026	186,985
Disbursements:						
Personal services	3,182,699	-	374,939	-	5,395	65,348
Supplies	377,295	-	-	62,541	785	76,954
Other services and charges	1,180,881	-	-	-	94,883	16,020
Capital outlay	158,532	-	-	-	3,850	-
Other disbursements	53,387	-	-	-	-	5,668
Total disbursements	4,952,794	-	374,939	62,541	104,913	163,990
Excess (deficiency) of receipts over disbursements	140,386	-	(62,385)	(7,813)	12,113	22,995
Cash and investments - ending	\$ 2,047,184	\$ 385	\$ 13,575	\$ 55,170	\$ 105,616	\$ 83,498

CITY OF MADISON
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Police Continuing Education	Unsafe Building	Riverboat Distribution Fund	Park & Recreations-General	Park Donation	Rainy Day
Cash and investments - beginning	\$ 17,990	\$ 5,000	\$ 528,950	\$ 676,853	\$ 3,830	\$ 472,345
Receipts:						
Taxes	-	-	-	454,698	-	-
Licenses and permits	4,400	-	-	2,573	-	-
Intergovernmental	-	-	75,121	29,385	-	142,657
Charges for services	2,975	-	-	426,583	-	-
Fines and forfeits	1,849	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	1,550	-	-	57,858	250	-
Total receipts	10,774	-	75,121	971,097	250	142,657
Disbursements:						
Personal services	-	-	-	717,319	-	-
Supplies	5,329	-	-	103,333	155	-
Other services and charges	11,845	5,000	-	185,504	-	-
Capital outlay	-	-	-	44,404	-	2,043
Other disbursements	-	-	-	5,132	-	-
Total disbursements	17,174	5,000	-	1,055,692	155	2,043
Excess (deficiency) of receipts over disbursements	(6,400)	(5,000)	75,121	(84,595)	95	140,614
Cash and investments - ending	\$ 11,590	\$ -	\$ 604,071	\$ 592,258	\$ 3,925	\$ 612,959

CITY OF MADISON
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Police K-9	Levy Excess	Police Donation	Revolving Loan	Sunrise Golf Course Nro	Riverfront Development Grant
Cash and investments - beginning	\$ 16,359	\$ -	\$ 5,474	\$ 580,774	\$ 545	\$ 3,000
Receipts:						
Taxes	-	15,167	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>4,277</u>	<u>-</u>	<u>8,251</u>	<u>13,525</u>	<u>750</u>	<u>-</u>
Total receipts	<u>4,277</u>	<u>15,167</u>	<u>8,251</u>	<u>13,525</u>	<u>750</u>	<u>-</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	18,305	-	9,925	-	700	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,213</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>18,305</u>	<u>-</u>	<u>9,925</u>	<u>110,213</u>	<u>700</u>	<u>-</u>
Excess (deficiency) of receipts over disbursements	<u>(14,028)</u>	<u>15,167</u>	<u>(1,674)</u>	<u>(96,688)</u>	<u>50</u>	<u>-</u>
Cash and investments - ending	<u>\$ 2,331</u>	<u>\$ 15,167</u>	<u>\$ 3,800</u>	<u>\$ 484,086</u>	<u>\$ 595</u>	<u>\$ 3,000</u>

CITY OF MADISON
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Madison City Tree Board	City Employee Donation Fund	Realestate Sales Proceeds	Community Of Compassion	Micro-Enterprise Grant#Mp94-003	Owner Occupied Rehab Grant
Cash and investments - beginning	\$ 981	\$ 7,981	\$ 14,360	\$ 7,439	\$ 29,974	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	18,038
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>1,235</u>	<u>7,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts	<u>1,235</u>	<u>7,888</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,038</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	350	13,823	-	-	-	-
Other services and charges	-	-	-	-	-	18,038
Capital outlay	-	-	-	-	-	-
Other disbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>350</u>	<u>13,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,038</u>
Excess (deficiency) of receipts over disbursements	<u>885</u>	<u>(5,935)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 1,866</u>	<u>\$ 2,046</u>	<u>\$ 14,360</u>	<u>\$ 7,439</u>	<u>\$ 29,974</u>	<u>\$ -</u>

CITY OF MADISON
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Madison Economic Dev Comm Inv	Madison Beautification Fund	Bi-Centennial Fund	Stage Fund Nro	Senior Citizens Fund	Fire Department Federal Grant
Cash and investments - beginning	\$ 31,613	\$ 111	\$ 60,572	\$ 2,296	\$ 1,092	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	3,903
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	12,421	5	18,431	608	21,996	-
Total receipts	12,421	5	18,431	608	21,996	3,903
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	44,034	-	6,884	-	1,945	-
Other services and charges	-	-	-	-	12,527	-
Capital outlay	-	-	-	-	-	3,903
Other disbursements	-	-	-	-	-	-
Total disbursements	44,034	-	6,884	-	14,472	3,903
Excess (deficiency) of receipts over disbursements	(31,613)	5	11,547	608	7,524	-
Cash and investments - ending	\$ -	\$ 116	\$ 72,119	\$ 2,904	\$ 8,616	\$ -

CITY OF MADISON
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Micro Loan Fund	Heritage Trails Fund	Farmers Market Grant Fund	Urban Forestry Fund	Scenic Byway Fund	Disaster Mitigation (Fema)
Cash and investments - beginning	\$ 28,352	\$ 201	\$ 183	\$ 1,193	\$ 1,265	\$ 59,976
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	25,000	-	-	-	21,714	18,298
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>30,017</u>	<u>-</u>	<u>420</u>	<u>503</u>	<u>-</u>	<u>112,760</u>
Total receipts	<u>55,017</u>	<u>-</u>	<u>420</u>	<u>503</u>	<u>21,714</u>	<u>131,058</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	208	1,280	-	-
Other services and charges	-	-	-	-	21,714	-
Capital outlay	-	-	-	-	-	147,720
Other disbursements	<u>59,787</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>59,787</u>	<u>-</u>	<u>208</u>	<u>1,280</u>	<u>21,714</u>	<u>147,720</u>
Excess (deficiency) of receipts over disbursements	<u>(4,770)</u>	<u>-</u>	<u>212</u>	<u>(777)</u>	<u>-</u>	<u>(16,662)</u>
Cash and investments - ending	<u>\$ 23,582</u>	<u>\$ 201</u>	<u>\$ 395</u>	<u>\$ 416</u>	<u>\$ 1,265</u>	<u>\$ 43,314</u>

CITY OF MADISON
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Community Development Action Grant	Fire Company Investment	Utility Insufficient Check Fund	Transfer Station Operating	Aviation-Nro	Broadway Fountain Donation
Cash and investments - beginning	\$ 793,552	\$ 528,510	\$ 500	\$ 141,043	\$ 126,754	\$ 1,162
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	42,000	-	848,867	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	9,374	-	18,914	71,302	448
Total receipts	-	51,374	-	867,781	71,302	448
Disbursements:						
Personal services	-	-	-	486,196	-	-
Supplies	-	-	-	46,528	40,202	-
Other services and charges	-	-	-	350,843	49,500	-
Capital outlay	-	-	-	43,991	-	-
Other disbursements	-	-	-	20,440	-	-
Total disbursements	-	-	-	947,998	89,702	-
Excess (deficiency) of receipts over disbursements	-	51,374	-	(80,217)	(18,400)	448
Cash and investments - ending	\$ 793,552	\$ 579,884	\$ 500	\$ 60,826	\$ 108,354	\$ 1,610

CITY OF MADISON
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Railroad Clean-Up	Owner Occupied Revolving Loan	Comm. Dev & Event Fund	Tif	Cumulative Capital Development	Aviation State Grant #3900101
Cash and investments - beginning	\$ 462	\$ 1,468	\$ -	\$ 4,666,719	\$ 356,603	\$ 6,180
Receipts:						
Taxes	-	-	-	977,688	198,760	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	12,845	115,562
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	-	-	10,925	195,460	-	-
Total receipts	-	-	10,925	1,173,148	211,605	115,562
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	188	-	-	-	-	-
Other services and charges	-	1,468	9,759	676,104	55,079	121,739
Capital outlay	-	-	-	218,628	137,341	-
Other disbursements	-	-	-	-	-	-
Total disbursements	188	1,468	9,759	894,732	192,420	121,739
Excess (deficiency) of receipts over disbursements	(188)	(1,468)	1,166	278,416	19,185	(6,177)
Cash and investments - ending	\$ 274	\$ -	\$ 1,166	\$ 4,945,135	\$ 375,788	\$ 3

CITY OF MADISON
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Cumulative Capital Improvement	County Tax Fund	Police Pension	Payroll	Insurance Fund	Sewage Operating
Cash and investments - beginning	\$ 59,893	\$ 894,373	\$ 489,443	\$ 146,710	\$ 48,242	\$ 40,994
Receipts:						
Taxes	-	-	5,951	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	35,147	726,647	444,032	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	3,000,323
Other receipts	-	-	993	6,794,184	21,692	41,493
Total receipts	35,147	726,647	450,976	6,794,184	21,692	3,041,816
Disbursements:						
Personal services	-	-	445,353	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	2,100	215,065	2,313	-	-	-
Capital outlay	23,465	785,305	-	-	-	-
Other disbursements	-	-	-	6,765,530	31,818	2,704,186
Total disbursements	25,565	1,000,370	447,666	6,765,530	31,818	2,704,186
Excess (deficiency) of receipts over disbursements	9,582	(273,723)	3,310	28,654	(10,126)	337,630
Cash and investments - ending	\$ 69,475	\$ 620,650	\$ 492,753	\$ 175,364	\$ 38,116	\$ 378,624

CITY OF MADISON
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Sewage Bond & Interest	Sewage Debt Reserve	Jefferson County Sewage Operating	Sewage SRF ARRA Grant	Sewage SRF Loan Construction	Water SRF Loan Construction
Cash and investments - beginning	\$ 326,537	\$ 929,851	\$ 77,776	\$ -	\$ -	\$ -
Receipts:						
Taxes	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	1,000,000	420,242	301,018
Charges for services	-	-	-	-	-	-
Fines and forfeits	-	-	-	-	-	-
Utility fees	-	-	-	-	-	-
Other receipts	<u>1,152,835</u>	<u>661,858</u>	<u>532,869</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total receipts	<u>1,152,835</u>	<u>661,858</u>	<u>532,869</u>	<u>1,000,000</u>	<u>420,242</u>	<u>301,018</u>
Disbursements:						
Personal services	-	-	-	-	-	-
Supplies	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	-
Capital outlay	-	-	-	1,000,000	420,242	301,018
Other disbursements	<u>1,133,118</u>	<u>924,686</u>	<u>223,780</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total disbursements	<u>1,133,118</u>	<u>924,686</u>	<u>223,780</u>	<u>1,000,000</u>	<u>420,242</u>	<u>301,018</u>
Excess (deficiency) of receipts over disbursements	<u>19,717</u>	<u>(262,828)</u>	<u>309,089</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments - ending	<u>\$ 346,254</u>	<u>\$ 667,023</u>	<u>\$ 386,865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MADISON
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
CASH AND INVESTMENT BALANCES - REGULATORY BASIS
For The Year Ended December 31, 2010
(Continued)

	Water Utility-Operating	Water Utility-Bond And Interest	Water Utility-Customer Deposit	Water Utility-Debt Reserve	Water Meter Investment	Totals
Cash and investments - beginning	\$ 347,109	\$ 275,772	\$ 8,112	\$ 389,794	\$ 35,424	\$ 15,451,824
Receipts:						
Taxes	-	-	-	-	-	6,071,242
Licenses and permits	-	-	-	-	-	78,130
Intergovernmental	-	-	-	-	-	4,126,878
Charges for services	-	-	-	-	-	1,500,325
Fines and forfeits	-	-	-	-	-	6,161
Utility fees	1,863,105	-	-	-	-	4,863,428
Other receipts	<u>298,362</u>	<u>419,425</u>	<u>15,664</u>	<u>10,166</u>	<u>-</u>	<u>10,901,566</u>
Total receipts	<u>2,161,467</u>	<u>419,425</u>	<u>15,664</u>	<u>10,166</u>	<u>-</u>	<u>27,547,730</u>
Disbursements:						
Personal services	-	-	-	-	-	5,277,249
Supplies	-	-	-	-	-	810,764
Other services and charges	-	-	-	-	-	3,030,382
Capital outlay	-	-	-	-	-	3,290,442
Other disbursements	<u>2,176,133</u>	<u>425,938</u>	<u>15,525</u>	<u>52</u>	<u>-</u>	<u>14,655,393</u>
Total disbursements	<u>2,176,133</u>	<u>425,938</u>	<u>15,525</u>	<u>52</u>	<u>-</u>	<u>27,064,230</u>
Excess (deficiency) of receipts over disbursements	<u>(14,666)</u>	<u>(6,513)</u>	<u>139</u>	<u>10,114</u>	<u>-</u>	<u>483,500</u>
Cash and investments - ending	<u>\$ 332,443</u>	<u>\$ 269,259</u>	<u>\$ 8,251</u>	<u>\$ 399,908</u>	<u>\$ 35,424</u>	<u>\$ 15,935,324</u>

CITY OF MADISON
SUPPLEMENTARY INFORMATION
SCHEDULE OF CAPITAL ASSETS
December 31, 2010

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed or donated assets are reported at estimated fair value at the time received.

<u>Primary Government</u>	<u>Ending Balance</u>
Governmental activities:	
Capital assets, not being depreciated:	
Land	\$ 2,234,940
Infrastructure	6,264,761
Buildings	4,116,320
Improvements other than buildings	2,987,663
Machinery and equipment	<u>4,227,665</u>
Total governmental activities, capital assets not being depreciated	<u><u>\$ 19,831,349</u></u>

<u>Primary Government</u>	<u>Ending Balance</u>
Business-type activities:	
Water Utility:	
Capital assets, not being depreciated:	
Land	\$ 67,500
Construction in progress	793,987
Buildings	6,575,738
Improvements other than buildings	919,024
Machinery and equipment	<u>1,376,648</u>
Total Water Utility capital assets	<u>9,732,897</u>
Wastewater Utility:	
Capital assets, not being depreciated:	
Land	9,148,236
Buildings	1,865,680
Improvements other than buildings	784,197
Machinery and equipment	<u>2,818,411</u>
Total Wastewater Utility capital assets	<u>14,616,524</u>
Total business-type activities capital assets	<u><u>\$ 24,349,421</u></u>

CITY OF MADISON
SUPPLEMENTARY INFORMATION
SCHEDULE OF LONG-TERM DEBT
December 31, 2010

The City has entered into the following debt:

Description of Debt	Ending Principal Balance	Principal and Interest Due Within One Year
Governmental Activities:		
Capital lease:		
City hall	\$ 107,979	\$ 55,079
Energy savings installment contract	1,176,002.00	215,065.28
Loan payable (Brownfields)	<u>145,802.00</u>	<u>17,305.00</u>
Total governmental activities debt	<u>\$ 1,429,783</u>	<u>\$ 287,449</u>
Business-type Activities:		
Water Utility		
1999 State revolving loan (SRF)	\$ 3,286,000	\$ 383,294
2009 State revolving loan (SRF)	713,500	55,684
2009 ARRA State Revolving loan (SRF) (Note 1)	<u>328,500</u>	<u>-</u>
Total Water Utility	<u>4,328,000</u>	<u>438,978</u>
Wastewater Utility		
2003 State revolving loan (SRF)	6,526,088	424,453
2010 State revolving loan (SRF) Series A	500,000	28,698
2010 State revolving loan (SRF) Series B (Note 2)	<u>420,242</u>	<u>75,654</u>
Total Wastewater Utility	<u>7,446,330</u>	<u>528,805</u>
Total business-type activities debt:	<u>\$ 11,774,330</u>	<u>\$ 967,783</u>

Notes to Schedule:

1. The 2009 ARRA SRF loan is a forgivable loan that comes due on April 15, 2013. If the Water Utility makes timely debt payments on the 1999 SRF loan and the 2009 SRF loan, the 2009 ARRA SRF loan will be forgiven.

2. The Wastewater Utility's State Revolving Loan (SRF) 2010 Series B has established a maximum draw of \$2,791,000. As of December 31, 2010, the Utility has drawn down \$420,242. The amount of interest due within one year is estimated as the final principal had not yet been determined.

CITY OF MADISON
AUDIT RESULT(S) AND COMMENT(S)

MICRO-LOAN PROGRAM (Applies to Clerk Treasurer)

Administrator of Loan Program

The Clerk-Treasurer presented for examination an unsigned Revolving Loan Fund Plan (Plan) and Scope of Work document that governs the Micro-Loan Program. The Plan assigned the office of Clerk-Treasurer as Administrator of the Micro-Loan program. The program is funded with grants from the United States Department of Agriculture Rural Development (RD), local match, and loan repayments received from local businesses. The Plan did not define the responsibilities of the Administrator. Dave Adams, Clerk-Treasurer, stated he performed the following acts as Administrator of the Plan during the year 2010:

1. Appointed members of the Micro-Loan Committee who were responsible for approving loans made to local businesses.
2. Entered into a grant agreement with USDA Rural Development that included committing the City to provide \$50,000 in local matching funds. No documentation was presented for audit identifying the City Funds being committed to the loan program and no documentation was presented for audit showing either approval of the commitment by the City Council or such authority to commit funds was delegated to the Clerk-Treasurer.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Loans Not Approved at Public Meeting

The Clerk-Treasurer administers a Micro-Loan Program that makes loans to local businesses (see Audit Result and Comment titled "Administrator of Loan Program"). There were four loans made to local businesses totaling \$60,000 during the year 2010. No public notice, minutes, or record of votes taken were presented for audit. Dave Adams, Clerk-Treasurer and Administrator of the Micro-Loan Program stated that he telephoned Micro-Loan Committee members for their vote on the loans.

Indiana Code 5-14-1.5-3 states in part the following:

"(a) . . . all meetings of the governing bodies of public agencies must be open at all times for the purpose of permitting members of the public to observe and record them.

(b) A secret ballot vote may not be taken at a meeting. . . .

(d) A member of the governing body of a public agency who is not physically present at a meeting of the governing body but who communicates with members of the governing body during the meeting by telephone, computer, videoconferencing, or any other electronic means of communication:

- (1) may not participate in final action taken at the meeting unless the member's participation is expressly authorized by statute; and

CITY OF MADISON
AUDIT RESULT(S) AND COMMENT(S)

- (2) may not be considered to be present at the meeting unless considering the member to be present at the meeting is expressly authorized by statute.
- (e) The memoranda of a meeting prepared under section 4 of this chapter that a member participates in by using a means of communication described in subsection (d) must state the name of:
 - (1) each member who was physically present at the place where the meeting was conducted;
 - (2) each member who participated in the meeting by using a means of communication described in this section; and
 - (3) each member who was absent."

Indiana Code 5-14-1.5-4 states in part the following:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
 - (2) The members of the governing body recorded as either present or absent.
 - (3) The general substance of all matters proposed, discussed, or decided.
 - (4) A record of all votes taken, by individual members if there is a roll call.
 - (5) Any additional information required under IC 5-1.5-2-2.5.
- (c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

Indiana Code 5-14-1.5-5 states in part the following:

"(a) Public notice of the date, time, and place of any meetings, executive sessions, or of any rescheduled or reconvened meeting, shall be given at least forty-eight (48) hours (excluding Saturdays, Sundays, and legal holidays) before the meeting. This requirement does not apply to reconvened meetings (not including executive sessions) where announcement of the date, time, and place of the reconvened meeting is made at the original meeting and recorded in the memoranda and minutes thereof, and there is no change in the agenda.

(b) Public notice shall be given by the governing body of a public agency by:

- (1) posting a copy of the notice at the principal office of the public agency holding the meeting or, if no such office exists, at the building where the meeting is to be held; and

CITY OF MADISON
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

- (2) delivering notice to all news media which deliver by January 1 an annual written request for such notices for the next succeeding calendar year to the governing body of the public agency. The governing body shall give notice by one (1) of the following methods:
- (A) Depositing the notice in the United States mail with postage prepaid.
 - (B) Transmitting the notice by electronic mail.
 - (C) Transmitting the notice by facsimile (fax) . . ."

Approval of Loans

The Clerk-Treasurer administers a Micro-Loan Program that makes loans to local businesses (see Audit Result and Comment titled "Administrator of Loan Program"). The Micro-Loan Committee consisted of five members, requiring three members (majority) to be available to vote on loan applications. No minutes or record of votes were presented for audit (see Audit Result and Comment titled "Loans not Approved at Public Meeting"). We interviewed Micro-Loan Committee members regarding their vote. The following is a summary of the number of Micro-Loan Committee members stating they voted on loan applications.

<u>Business</u>	<u>Amount of Loan</u>	<u>Number of Voting Members</u>
Ohio Theatre	\$ 25,000	-
Fudge Factory	10,000	1
Aquatic Expressions	10,000	2
Ground Works	<u>15,000</u>	2
Total	<u>\$ 60,000</u>	

Indiana Code 5-14-1.5-2 states in part:

- "(c) 'Meeting' means a gathering of a majority of the governing body of a public agency for the purpose of taking official action upon public business . . .
- (d) 'Official action' means to:
- (1) receive information;
 - (2) deliberate;
 - (3) make recommendations;
 - (4) establish policy;
 - (5) make decisions; or
 - (6) take final action.

CITY OF MADISON
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

- (e) 'Public business' means any function upon which the public agency is empowered or authorized to take official action.
- (g) 'Final action' means a vote by the governing body on any motion, proposal, resolution, rule, regulation, ordinance, or order."

Loan to Ohio Theatre

The Clerk-Treasurer administers a Micro-Loan Program that makes loans to local businesses (see Audit Result and Comment titled "Administrator of Loan Program"). A loan was made to Emerald Theatres and Entertainment, Inc., (d/b/a Ohio Theatre) in the amount of \$25,000 during the year 2010. In addition to the loan not being approved at a public meeting (See Audit Result and Comment titled "Loans not Approved at Public Meeting") and the loan not being approved by a majority of Loan Committee Members (see Audit Result and Comment titled "Approval of Loans"), we noted the following:

1. The loan application submitted by Ohio Theatre shows that the purpose of the loan was for "Payment of urgent past due debts and bills, etc".

The City of Madison Revolving Loan Fund (RLF) Plan states: "RLF loan funds will not be used to pay off any previous debt."

2. After issuance of the check for the loan on August 16, 2010, the balance of the Micro-Loan fund was overdrawn \$15,365.

The City of Madison Revolving Loan Fund (RLF) Plan states: "Loans to be made from the RLF will not exceed the level of available funding. Applicants who choose to apply in times when inadequate funds exist for extending a loan will be informed of the lack of funds. "

3. The loan was made to Ohio Theatre on August 16, 2010, which was prior to the execution of a promissory note and real estate mortgage. The promissory note and real estate mortgage between the City and Ohio Theatre were both entered into on October 15, 2010.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are necessary for proper internal control. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Loan repayments totaling \$3,038 had been made as of June 10, 2011, leaving an outstanding loan balance of \$21,962. The outstanding loan balance was paid on July 7, 2011.

CITY OF MADISON
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

Loan to Spouse of Committee Member

The Clerk-Treasurer administers a Micro-Loan Program that makes loans to local businesses (see Audit Result and Comment titled "Administrator of Loan Program"). A loan in the amount of \$15,000 was made to Ground Works. The loan application shows the owner as Matthew Eggenpiller. Jennifer Eggenpiller, Micro-Loan Committee member is the spouse of Matthew Eggenpiller. Jennifer Eggenpiller stated she was on the Micro-Loan Committee at the time the loan was approved; however, she did not vote on the loan application.

The City of Madison Revolving Loan Fund (RLF) Plan states: "Applications by members of the loan committee and their immediate family members shall be ineligible for funding."

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Conflict of Interest – Business Loan

The Clerk-Treasurer administers a Micro-Loan Program that makes loans to local businesses (see Audit Result and Comment titled "Administrator of Loan Program"). A loan in the amount of \$15,000 was made to Ground Works. The loan application shows the owner as Matthew Eggenpiller. Jennifer Eggenpiller, Micro-Loan Committee member, is the spouse of Matthew Eggenpiller. Jennifer Eggenpiller stated she was on the Micro-Loan Committee at the time the loan was approved; however, she did not vote on the loan application. City officials stated that a Conflict of Interest Disclosure Statement (Statement) was filed by Jennifer Eggenpiller; however, the Statement was not accepted and approved at public meeting, was not filed with the Indiana State Board of Accounts, and was not filed with the Jefferson County Clerk of the Circuit Court.

Prior to an amendment effective July 1, 2011, Indiana Code 35-44-1-3 stated in part:

"(a) A public servant who knowingly or intentionally: (1) has a pecuniary interest in; or (2) derives a profit from; a contract or purchase connected with an action by the governmental entity served by the public servant commits conflict of interest, a Class D felony. . . .

(c) This section does not prohibit a public servant from having a pecuniary interest in or deriving a profit from a contract or purchase connected with the governmental entity served . . .

(1) If the:

(A) public servant is not a member or on the staff of the governing body empowered to contract or purchase on behalf of the governmental entity;

(B) functions and duties performed by the public servant for the governmental entity are unrelated to the contract or purchase; and

(C) public servant makes a disclosure under subsection (d)(1) through (d)(6).

CITY OF MADISON
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

(d) A disclosure required by this section must: (1) be in writing; (2) describe the contract or purchase to be made by the governmental entity; (3) describe the pecuniary interest that the public servant has in the contract or purchase; (4) be affirmed under penalty of perjury; (5) be submitted to the governmental entity and be accepted by the governmental entity in a public meeting of the governmental entity prior to final action on the contract or purchase; (6) be filed within fifteen (15) days after final action on the contract or purchase with: (A) the state board of accounts; and (B) . . . the clerk of the circuit court in the county where the governmental entity takes final action on the contract or purchase. . . .

(g) A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of: (1) the public servant; or (2) a dependent of the public servant who: (A) is under the direct or indirect administrative control of the public servant; or (B) receives a contract or purchase order that is reviewed, approved, or directly or indirectly administered by the public servant. . . .

(k) As used in this section, 'dependent' means any of the following: (1) The spouse of a public servant. (2) A child, stepchild, or adoptee (as defined in IC 31-9-2-2) of a public servant who is: (A) unemancipated; and (B) less than eighteen (18) years of age. (3) Any individual more than one-half (1/2) of whose support is provided during a year by the public servant."

POSITION PAID FROM MULTIPLE FUNDS (Applies to City Council and Board of Public Works)

The City prorates the salary of the Community Development Director from the following funds:

<u>Fund</u>	<u>Amount</u>
General	\$ 10,935.99
Park	10,935.99
Water	10,935.99
Wastewater	<u>10,935.99</u>
Total	<u><u>\$ 43,743.96</u></u>

Expenses paid from utility funds should be directly related to the operation of the municipally owned utility. Expenditures for city and town operating costs should not be paid from utility funds. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MADISON
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

COMPENSATION NOT ON SALARY ORDINANCE
(Applies to City Council and Board of Public Works)

We noted the following instances of employees being paid compensation that was not included on the salary ordinance approved by the City Council:

1. Tammy Boldery was paid \$29,386 as Secretary to the Mayor from the General Fund. The position and the salary amount paid were listed on the salary ordinance approved by the City Council. During the year 2010, she was paid an additional \$1,591 from the Transfer Station Fund. No position was listed on the Salary Ordinance approved by the City Council that corresponded with the additional amount paid to the Secretary to the Mayor.
2. John Smolarczyk, landfill operator, received longevity based on overtime pay which was not included on the salary ordinance.
3. Various police officers received shift differential pay and longevity which was not included on the salary ordinance.

All compensation and benefits paid to officials and employees must be included in the labor contract, salary ordinance, resolution or salary schedule adopted by the governing body unless otherwise authorized by statute. Compensation should be made in a manner that will facilitate compliance with state and federal reporting requirements. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

We recommended that City officials pass a retroactive salary ordinance to include the above compensation.

APPROVAL OF VOUCHERS FROM TAX INCREMENT FINANCING FUNDS
(Applies to Redevelopment Commission)

The Redevelopment Commission did not approve vouchers paid from the Tax Increment Financing Fund during the year 2010. Vouchers paid from the Tax Increment Fund were approved by the Board of Works.

Indiana Code 36-7-14-29(a) states: "All payments from any of the funds established by this chapter shall be made by warrants drawn by the proper officers of the unit upon vouchers of the redevelopment commission signed by the president or vice president and the secretary or executive secretary.

CITY OF MADISON
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

EXPENDITURES PAID FROM TAX INCREMENT FINANCING FUND (Applies to Redevelopment Commission and Board of Works)

The following payments were made from the Tax Increment Financing Fund during the year 2010:

1. Payments totaling \$80,000 to Economic Development Partners of Jefferson County. The contract with Economic Development Partners shows the scope of services as follows:
 - a. Administrative and marketing services as it pertains to recruitment of new businesses and the expansion of existing businesses
 - b. Infrastructure Development

Supporting documentation that showed how much of the total paid was allocated between administrative/marketing services and infrastructure development was not presented for audit.

2. The Redevelopment Commission Board executed an agreement with the Madison Area Chamber of Commerce Foundation (MCCF) on March 24, 2010, to provide \$100,000 for functional capital improvements to Venture Out Business Center (business owned by the (MCCF). Payments in the amount of \$84,019 and \$2,142 were made during 2010 and 2011, respectively, under this agreement. Improvements included a heating, ventilation, and air conditioning system.

Powers of Commission

Indiana Code 36-7-14-12.2(a) states in part: "The redevelopment commission may do the following:

- (1) Acquire by purchase, exchange, gift, grant, condemnation, or lease, or any combination of methods, any personal property or interest in real property needed for the redevelopment of areas needing redevelopment that are located within the corporate boundaries of the unit . . .
- (7) Repair and maintain structures acquired for redevelopment purposes."

Statutes and Administrative Code Provisions Regarding Use of Tax Increment Financing

Indiana Code 36-7-14-39(b)(2) states in part the following:

- "(2) Except as otherwise provided in this section, property tax proceeds in excess of those described in subdivision (1) shall be allocated to the redevelopment district and, when collected, paid into an allocation fund for that allocation area that may be used by the redevelopment district only to do one (1) or more of the following:
 - (A) Pay the principal of and interest on any obligations payable solely from allocated tax proceeds which are incurred by the redevelopment district for the purpose of financing or refinancing the redevelopment of that allocation area.

CITY OF MADISON
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

- (B) Establish, augment, or restore the debt service reserve for bonds payable solely or in part from allocated tax proceeds in that allocation area.
- (C) Pay the principal of and interest on bonds payable from allocated tax proceeds in that allocation area and from the special tax levied under section 27 of this chapter.
- (D) Pay the principal of and interest on bonds issued by the unit to pay for local public improvements that are physically located in or physically connected to that allocation area.
- (E) Pay premiums on the redemption before maturity of bonds payable solely or in part from allocated tax proceeds in that allocation area.
- (F) Make payments on leases payable from allocated tax proceeds in that allocation area under section 25.2 of this chapter.
- (G) Reimburse the unit for expenditures made by it for local public improvements (which include buildings, parking facilities, and other items described in section 25.1(a) of this chapter) that are physically located in or physically connected to that allocation area.
- (H) Reimburse the unit for rentals paid by it for a building or parking facility that is physically located in or physically connected to that allocation area under any lease entered into under IC 36-1-10.
- (I) For property taxes first due and payable before January 1, 2009, pay all or a part of a property tax replacement credit to taxpayers in an allocation area as determined by the redevelopment commission . . .
- (J) Pay expenses incurred by the redevelopment commission for local public improvements that are in the allocation area or serving the allocation area. Public improvements include buildings, parking facilities, and other items described in section 25.1(a) of this chapter.
- (K) Reimburse public and private entities for expenses incurred in training employees of industrial facilities that are located:
 - (i) in the allocation area; and
 - (ii) on a parcel of real property that has been classified as industrial property under the rules of the department of local government finance . . .
- (L) Pay the costs of carrying out an eligible efficiency project (as defined in IC 36-9-41-1.5) within the unit that established the redevelopment commission. . . .

The allocation fund may not be used for operating expenses of the commission."

CITY OF MADISON
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

Indiana Code 36-7-14-25.1(a) states in part:

"In addition to other methods of raising money for property acquisition or redevelopment in a redevelopment project area, and in anticipation of the special tax to be levied under section 27 of this chapter, the taxes allocated under section 39 of this chapter, or other revenues of the district, or any combination of these sources, the redevelopment commission may, by resolution . . . issue the bonds of the special taxing district in the name of the unit. The amount of the bonds may not exceed the total, as estimated by the commission, of all expenses reasonably incurred in connection with the acquisition and redevelopment of the property, including:

- (1) the total cost of all land, rights-of-way, and other property to be acquired and redeveloped;
- (2) all reasonable and necessary architectural, engineering, legal, financing, accounting, advertising, bond discount, and supervisory expenses related to the acquisition and redevelopment of the property or the issuance of bonds;
- (3) capitalized interest permitted by this chapter and a debt service reserve for the bonds to the extent the redevelopment commission determines that a reserve is reasonably required; and
- (4) expenses that the redevelopment commission is required or permitted to pay under IC 8-23-17."

Indiana Code 36-9-41-1 states:

"This chapter applies to the following:

- (1) A public work project that will cost the political subdivision not more than two million dollars (\$2,000,000).
- (2) An eligible efficiency project that will cost not more than three million dollars (\$3,000,000)."

Indiana Code 36-9-41-1.5 states:

"As used in this chapter, "eligible efficiency project" means:

- (1) a project necessary or useful to carrying out an interlocal cooperation agreement entered into by two (2) or more political subdivisions or governmental entities under IC 36-1-7; or
- (2) a project necessary or useful to the consolidation of local government services."

Indiana Code 8-23-17 authorizes certain expenses related to relocation assistance.

CITY OF MADISON
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

Indian Code 36-1-10 authorizes the acquisition of buildings and other structures by means of lease or lease purchase.

50 Indiana Administrative Code 8-2-13(e) states in part: "Supervisory expenses related to redevelopment projects in the allocation area that are paid to individuals retained to supervise such projects qualify as expenditures for which reimbursement can be made."

***OTHER EXPENDITURES PAID FROM TAX INCREMENT FINANCING FUND
(Applies to Redevelopment Commission and Board of Works)***

Expenditures of \$16,761 were made during the year 2010 from the Tax Increment Financing Fund for riverfront development costs. City officials stated these costs were not for facilities physically located in or serving the allocation area. The City officials stated reimbursement would be made to the Tax Increment Financing Fund.

Sources and uses of funds should be limited to those authorized by the enabling statute, ordinance, resolution, or grant agreement. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***WATER UTILITY OPERATING FUNDS USED FOR CITY EXPENSES
(Applies to Board of Works and Water Utility)***

The officials of the Water Utility used operating funds to pay for expenses related to the City. The City paid Sedam Construction \$4,560 for street work on August 16, 2010.

Payments or transfers which are not authorized by statute, ordinance or resolution must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***TAX INCREMENT FINANCING FUND LOAN NOT REPAID
(Applies to Board of Works and Wastewater Utility)***

Resolution 3-2009 authorizing a loan not to exceed \$355,000 to the Board of Public Works from the Tax Increment Financing (TIF) Fund was approved by the Redevelopment Commission on October 21, 2009. The loan was to be used to initiate the design process for improvements at the wastewater treatment plant. The loan was to be repaid on or before December 31, 2010. A total of \$103,747 due from the Wastewater Utility funds had not been repaid to the TIF Fund as of December 31, 2010.

Each governmental unit is responsible for complying with the ordinances, resolutions, and policies it adopts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MADISON
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

GENERAL FUND USED FOR WASTEWATER PROJECT
(Applies to Board of Works and Wastewater Utility)

A portion of preliminary engineering expenses, related to the Wastewater improvement project funded by SRF bond proceeds, were paid from the General Fund. The total paid during 2009 and 2010 was \$57,114. On June 11, 2010, the General Fund was reimbursed \$48,431 with ARRA SRF grant funds. The remaining \$8,682, which was paid by the City on January 4, 2010, was not submitted for reimbursement. This was brought to the attention of City officials on March 31, 2011, and on April 4, 2011, a request was submitted to the Indiana Finance Authority for reimbursement under the SRF program.

Governmental units should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CONTRACTS (Applies to Board of Works and Water Utility)

Payments totaling \$19,962 were made to FPBH, Inc., for loan documentation compliance on the SRF funded Water Utility improvement project during 2009-2010. No contract for this work was presented for audit.

Payments made or received for contractual services should be supported by a written contract. Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Supporting documentation such as receipts, canceled checks, invoices, bills, contracts, etc., must be available for audit to provide supporting information for the validity and accountability of monies disbursed. Payments without supporting documentation may be the personal obligation of the responsible official or employee. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

PAYMENTS IN EXCESS OF CONTRACT (Applies to Board of Works and Water Utility)

A contract executed March 16, 2009, with FPBH, Inc., for inspection on the SRF funded Water Utility improvement project in an amount not to exceed \$35,000 was presented for audit. Payments under this contract totaling \$44,787 exceeded the contract amount by \$9,787. Of this amount, \$6,843 was paid from Water Utility Operating funds and the remaining \$2,944 was paid from SRF monies.

Governmental units should collect any overpayments made. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

Each governmental unit is responsible for complying with the provisions of its contracts. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

CITY OF MADISON
AUDIT RESULT(S) AND COMMENT(S)
(Continued)

***FEDERAL AND STATE AGENCIES - COMPLIANCE REQUIREMENTS
(Applies to Board of Works and Clerk-Treasurer)***

Certain employees were paid for janitorial duties in addition to their other duties. The compensation for janitorial duties and part-time dispatchers was processed through the vendor claim process and was not processed through the City's payroll system. As a result various payroll taxes were not withheld and remitted and the employer share of social security was not remitted.

Each governmental unit is responsible for compliance with all rules, regulations, guidelines, and directives of the Internal Revenue Service and the Indiana Department of Revenue. All questions concerning taxes should be directed to these agencies. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

***EMPLOYEES ALSO PAID FOR JANITORIAL DUTIES
(Applies to Clerk-Treasurer and Board of Works)***

Certain employees were paid for janitorial duties in addition to their other duties. No record of hours worked was presented for audit showing which hours were worked for regular duties and which hours were worked for janitorial duties.

Indiana Code 5-11-9-4(b) states in part: "The state board of accounts shall require that records be maintained showing which hours were worked each day by officers and employees . . . employed . . . in more than one (1) position by the same public agency . . ."

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SUPPLEMENTAL AUDIT OF
FEDERAL AWARDS



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

TO: THE OFFICIALS OF THE CITY OF MADISON, JEFFERSON COUNTY, INDIANA

Compliance

We have audited the compliance of the City of Madison (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal program(s) for the year ended December 31, 2010. The City's major federal program(s) are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program(s) is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program(s) for the year ended December 31, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(Continued)

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The City's response to the findings identified in our audit is described in the accompanying Official Response and Corrective Action Plan. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the City's management, Common Council, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. In accordance with Indiana Code 5-11-5-1, this report is a part of the public records of the State Board of Accounts and of the office examined.

STATE BOARD OF ACCOUNTS

August 11, 2011

CITY OF MADISON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For The Year Ended December 31, 2010

Federal Grantor Agency/Pass-Through Entity Cluster Title/Program Title/Project Title	Federal CFDA Number	Pass-Through Entity (or Other) Identifying Number	Total Federal Awards Expended
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Direct Grant:			
Rural Business Enterprise Grants Microloan Program 2010	10.769		\$ 25,000
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Pass-Through Indiana Housing and Community Development Authority Community Development Block Grants - State Administered CDBG Cluster Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii Owner Occupied Housing Rehab	14.228	HD-008-017	18,038
Pass-Through Lt. Governor Senior Center Study		PL-05-059	12,000
Total for federal grantor agency			30,038
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Direct Grant:			
Bulletproof Vest Partnership Program FY 2009 FY 2010	16.607		1,213 3,578
Total for federal grantor agency			4,791
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
Pass-Through Indiana Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction Water Main Project 439 002 Ohio River Scenic Byway Interpretive Display	20.205	9902940 STP-9982(033)	61,363 15,563
Total for Highway Planning and Construction Cluster			76,926
Pass-Through Indiana Criminal Justice Institute Highway Safety Cluster Safety Belt Performance Grants Operation Pullover	20.609	OP-10-02-01-93	2,759
Direct Grant:			
Airport Improvement Program AIP Project No. 3-18-0052-1309 AIP Project No. 3-18-0052-1410	20.106		5,223 106,962
Total for Airport Improvement Program			112,185
Total for federal grantor agency			191,870
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY</u>			
Pass-Through Indiana Finance Authority Capitalization Grants for Clean Water State Revolving Funds State Revolving Loan (SRF) ARRA - Grant, BAN A/C (SRF)	66.458	WW09823903 WW09823902	168,097 1,000,000
Total for program			1,168,097
Capitalization Grants for Drinking Water State Revolving Funds State Revolving Loan (SRF)	66.468	DW08103902	120,408
Total for federal grantor agency			1,288,505
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Pass-Through Indiana Department of Homeland Security Disaster Grants - Public Assistance (Presidentially Declared Disasters) Windstorm 2008	97.036	DR 1795	18,298
Total federal awards expended			\$ 1,558,502

The accompanying note(s) are an integral part of the Schedule of Expenditures of Federal Awards.

CITY OF MADISON
NOTE(S) TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Madison (City) and is presented in accordance with the cash and investment basis of accounting used in the preparation of the financial statements. Accordingly, the amount of federal awards expended is based on when the disbursement related to the award occurs except when the federal award is received on a reimbursement basis. In these instances the federal awards are considered expended when the reimbursement is received.

CITY OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statement(s):

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Noncompliance material to financial statements noted?	no

Federal Awards:

Internal control over major programs:	
Material weaknesses identified?	no
Significant deficiencies identified?	none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	yes

Identification of Major Programs:

CFDA Number	Name of Federal Program or Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes

Section II – Financial Statement Findings

No matters are reportable.

Section III – Federal Award Findings and Questioned Costs

FINDING 2010-1 - ACTIVITIES UNALLOWED UNAUTHORIZED LOAN

Federal Agency: U.S. Department of Agriculture
Federal Program: Rural Business Enterprise Grants
CFDA Number: 10.769
Federal Award Number: 384309373
Direct Grant

CITY OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

The City administers a Micro-Loan Program that makes loans to local businesses. The grant agreement between the City and Rural Development (an Agency of the U.S. Department of Agriculture) makes reference to a Revolving Loan Fund Plan (Plan) and Scope of Work document that governs the Micro-Loan Program. The documents provide for the establishment of a five member Micro-Loan Committee to approve loans from grant funds.

A loan was made to Emerald Theatres and Entertainment, Inc., (d/b/a Ohio Theatre) in the amount of \$25,000 during the year 2010 from the Rural Business Enterprise Grants program, a non-major program. The following items were noted regarding the loan:

1. No minutes of the Micro-Loan Committee were presented for audit documenting the Micro-Loan Committee's approval of the loan to Ohio Theatre. Dave Adams, Clerk-Treasurer and Administrator of the Micro-Loan Program, stated that he telephoned Loan Committee members for their vote on the loans. No record of votes was presented for audit.

Indiana Code 5-14-1.5-4 states in part:

"(b) As the meeting progresses, the following memoranda shall be kept:

- (1) The date, time, and place of the meeting.
- (2) The members of the governing body recorded as either present or absent.
- (3) The general substance of all matters proposed, discussed, or decided.
- (4) A record of all votes taken, by individual members if there is a roll call.
- (5) Any additional information required under IC 5-1.5-2-2.5.

(c) The memoranda are to be available within a reasonable period of time after the meeting for the purpose of informing the public of the governing body's proceedings. The minutes, if any, are to be open for public inspection and copying."

2. No majority of committee members was present to take official action on the loan based on our interviews with listed Micro-Loan Committee members. Based on our interviews of listed Micro-Loan Committee members, none of the five committee members voted on the loan application.

Indiana Code 5-14-1.5-2 states in part:

"(c) 'Meeting' means a gathering of a majority of the governing body of a public agency for the purpose of taking official action upon public business . . .

(d) 'Official action' means to:

- (1) receive information;
- (2) deliberate;
- (3) make recommendations;

CITY OF MADISON
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

- (4) establish policy;
 - (5) make decisions; or
 - (6) take final action.
- (e) 'Public business' means any function upon which the public agency is empowered or authorized to take official action.
- (g) 'Final action' means a vote by the governing body on any motion, proposal, resolution, rule, regulation, ordinance, or order."
3. After issuance of the check for the loan on August 16, 2010, the balance of the Micro-Loan fund was overdrawn in the amount of \$15,365.

The City of Madison Revolving Loan Fund (RLF) Plan states: "Loans to be made from the RLF will not exceed the level of available funding. Applicants who choose to apply in times when inadequate funds exist for extending a loan will be informed of the lack of funds."

4. The loan application submitted by Ohio Theater showed that the purpose of the loan was: "Payment of urgent past due debts and bills, etc".

The City of Madison Revolving Loan Fund (RLF) Plan states: "RLF loan funds will not be used to pay off any previous debt."

Dave Adams, Clerk-Treasurer and Administrator of City's Micro-Loan Program, stated he was unaware of all program requirements and was unaware that the City's Micro-Loan Program Plan prohibited making loans to pay-off a business's existing debts.

Payments or transfers which are not authorized by statute, ordinance, resolution, or court order must be reimbursed or transferred to the appropriate fund. (Accounting and Uniform Compliance Guidelines Manual for Cities and Towns, Chapter 7)

We recommend that the City implement procedures so that provisions of the Micro-Loan Program are adhered to.

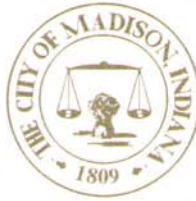
We consider the loan made to Ohio Theater in the amount of \$25,000 to be a questioned cost.

Loan repayments totaling \$3,038 had been made as of June 10, 2011, leaving an outstanding loan balance of \$21,962. The outstanding loan balance was repaid on July 7, 2011.

CITY OF MADISON
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters are reportable.

Tim Armstrong
MAYOR



City of Madison

OFFICE OF THE MAYOR

CORRECTIVE ACTION PLAN

Federal Agency: U.S. Department of Agriculture
Federal Program: Rural Business Enterprise Grants
CFDA Number: 10.769

Federal Award Number: 384309373

Finding No. 2010-1 ACTIVITIES UNALLOWED UNAUTHORIZED LOAN

Contact Person: Tim Armstrong

Title: Mayor

Phone Number: 812-265-8300

Expected Completion Date: Completed

The City of Madison has suspended its two revolving loan programs pending review and if warranted modification of their procedures, including but not limited to: 1. the application process, 2. the review and approval process, 3. the drafting of loan documents, 4. the evaluation of the security for the loans, 5. the administration of the loans including: release upon full payment, calculation of interest and penalties on late payments, and referral to the city attorney for collection efforts.

The City has contacted the USDA loan officer to collaborate on these procedures, and will meet with her on August 22nd, in addition the City has directed its economic development independent contractor to obtain examples of such programs which are run effectively by other municipalities in an effort to emulate their procedures, as well as making independent inquiries for the same information on its own.

The loan programs will not be re-implemented until such time as the city is satisfied that the procedures are sufficient. Such procedures must also comply with the parameters of the scope of work contained within the grant for the micro loan program.

Sincerely,

A handwritten signature in dark ink, appearing to read "Tim Armstrong", is written over a horizontal line.

Tim Armstrong
Mayor

101 W. MAIN STREET
MADISON, INDIANA 47250-3775
(812) 265-8300
FAX (812) 265-3349
email: mayor@madison-in.gov

CITY OF MADISON
EXIT CONFERENCE

The contents of this report were discussed on August 11, 2011, with Tim Armstrong, Mayor; David Adams, Clerk-Treasurer; and Darrell Henderson, President of the Common Council. Portions of this report were also discussed with Randy Eggenspiller, Utility Manager/Engineer. The Official Response has been made a part of this report and may be found on pages 54 through 60.

Jenner, Auxier & Pattison, LLP

WILLIAM EDWARD JENNER
DARRELL M. AUXIER
JASON J. PATTISON
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MADISON, INDIANA 47250

MADISON OFFICE:
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wjennerlaw.net

September 22, 2011

Mike Bozynski
Deputy State Examiner
Indiana State Board of Accounts
302 West Washington Street
Suite E418
Indianapolis, IN 46204

Re: City of Madison 2010 Audit
City of Madison's Official Response

Dear Mr. Bozynski,

Below is the City of Madison's response to the audit comments made by the State Board of Accounts. We have chosen not to respond to some portions, and attempted to specifically identify those portions to which we are responding. We hope this is of assistance.

Conflict of Interest Statement - Jenny Eggenpiller

The practice of the City of Madison has been for employees and officials to provide their conflict of interest statements to the Clerk-Treasurer's Office, and for that office to then forward the Conflict of Interest statements to the State Board of Accounts and file them with the Jefferson County Clerk's Office, as required by statute. Ms. Eggenpiller properly filled out her Conflict of Interest Statement for 2010 and presented it to the Clerk-Treasurer's Office. The Clerk-Treasurer's Office then apparently failed to file the same with the State Board of Accounts and the Jefferson County Clerk. The city further is of the position that the State Board of Accounts continues to utilize the wrong portion of I.C. 35-44-1-3 in its assessment. The appropriate section is IC 35-44-1-3(c)(6)(B) as Ms. Eggenpiller was appointed to her position with the City by Mayor Armstrong and was appointed to her position on the Micro-Loan Committee by Clerk-Treasurer Adams. Therefore the only deficiency was the failure of the Clerk Treasurer's Office to properly file the form with the proper offices. A copy of the Conflict of Interest Statement is attached.

Positions paid from multiple funds

The City is taking steps to correct its salary ordinance and job descriptions to remedy these deficiencies.

Compensation not on Salary Ordinance

The City is taking steps to correct its salary ordinance and job descriptions to remedy these deficiencies.

Approval of Vouchers from Tax Increment Financing Funds

The City has taken the appropriate steps to correct this procedure.

Expenditures from Tax Increment Financing Fund

The City has taken the appropriate steps to correct this procedure.

Other Expenditures Paid from Tax Increment Financing Fund

The Clerk - Treasurer's Office has taken the appropriate steps to correct its procedure in this area.

Water Utility Operating Funds used for City Expenses

The Clerk - Treasurer's Office has taken the appropriate steps to correct its procedure in this area.

Tax Increment Financing Fund Loan not Repaid

The Clerk - Treasurer's Office has taken the appropriate steps to correct its error.

General Fund used for Wastewater Project

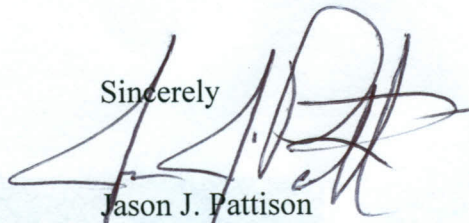
The Clerk - Treasurer's Office has taken the appropriate steps to correct its procedure in this area.

Federal and State Agencies - Compliance Requirements / Employees also Paid for Janitorial Duties

The City continues to assert that the janitorial services performed by certain employees, whose regular duties are completely unrelated to maintenance or janitorial duties, are performed by them as independent contractors. We are submitting their contracts for those services herewith.

The Clerk - Treasurers Office has corrected its procedure for paying part time dispatchers for the City Police Department.

Sincerely

A handwritten signature in dark ink, appearing to read 'J. Pattison', written over the word 'Sincerely'.

Jason J. Pattison
City Attorney
City of Madison

Uniform Conflict of Interest Disclosure Statement
(Pursuant to and In Compliance With Indiana Code 35-44-1-3)

A public servant who knowingly or intentionally has a pecuniary interest in or derives a profit from a contract or purchase connected with an action by the governmental entity served by the public servant has a conflict of interest subject to disclosure. A public servant has a pecuniary interest in a contract or purchase if the contract or purchase will result or is intended to result in an ascertainable increase in the income or net worth of the public servant or a dependent of the public servant. "Dependent" means any of the following: the spouse of a public servant; child, stepchild, or adoptee (as defined in I.C. 31-3-4-1) of a public servant who is unemancipated and less than eighteen (18) years of age; and any individual more than one-half (1/2) of whose support is provided during a year by the public servant.

1. Name and Address of Public Servant Submitting Statement: Jenny Eggenpiller

2. Title or Position With Governmental Entity: Community Dev. Director

3. a. Governmental Entity: City of Madison

b. County: _____

4. This statement is submitted (check one):

- a. _____ as a "single transaction" disclosure statement, as to my financial interest in a specific contract or purchase connected with the governmental entity which I serve, proposed to be made by the governmental entity with or from a particular contractor or vendor; or
- b. ☒ as an "annual" disclosure statement, as to my financial interest connected with any contracts or purchases of the governmental entity which I serve, which are made on an ongoing basis with or from particular contractors or vendors.

5. Name(s) of Contractor(s) or Vendor(s): Ground Works, LLC

6. Description of Contract(s) or Purchase(s) (Describe the kind of contract involved, and the effective date and term of the contract or purchase if reasonable determinable.) Dates required if 4(a) is selected above. If "dependent" is involved, provide dependent's name and relationship:

landscaping, etc.

expects to derive a profit or financial benefit from, or otherwise has a pecuniary interest in, the above contract(s) or purchase(s); if reasonable determinable, state the approximate dollar value of such profit or benefit.):

Ground Works, LLC is owned by my husband
Matt Egeghspiller who contracts w/ the City.

(Attach extra pages if additional space is needed)

Approval of Appointing Officer or body (To be completed if the public servant was appointed by an elected public servant or the board of trustees of a state-supported college or university): I (we) being the _____ of
(Title of Officer or Name of Governing Body)

(Name of Governmental Entity)

And having the

power to appoint the above named public servant to the public position to which he or she holds, hereby approve the participation of the appointed disclosing public servant in the above described contract(s) or purchase(s) in which said public servant has a conflict of interest as defined in Indiana Code 35-44-1-3; however, this approval does not waive any objection to any conflict prohibited by statute, rule, or regulation and is not to be construed as a consent to any illegal act.

Elected Official

Office

9. Effective dates (Conflict of interest statements must be submitted to the governmental entity prior to final action on the contract or purchase)

Date Submitted

Date of Action or Contract or Purchase

10. Affirmation of Public Servant: This disclosure was submitted to the governmental entity prior to final action on the contract or purchase. I affirm, under penalty of perjury, the truth and completeness of the statements made above. And that I am the above named public servant.

Signed:

(Signature of Public Servant)

Date:

1-12-10

Within 15 days following execution, copies of this statement must be filed with the State Board of Accounts, Room 912 State Office Building, Indianapolis, IN, 46204, and the Clerk of Circuit Court of the county in which the governmental entity executed the contract or purchase. A copy of this disclosure will be forwarded to the Indiana State Ethics Commission.

08AA

January _____, 2009

To: Mayor Armstrong

From: Lisa Barringer Konkle

City Hall Housekeeping Proposal

Lisa Barringer Konkle does hereby propose the following:

Lisa Barringer Konkle does accept as an independent contractor of the City of Madison Police Department responsibility to:

1. Clean all bathrooms
 - a. Sweeping/mopping floors 2-3 times per week
 - b. Clean toilets 3-4 times per week
2. Clean entryways
 - a. Sweep/mop lobbies 2-3 times per week
 - b. Clean glass doors 1-2 times per week - *everyday*
3. Empty wastebaskets - *everyday*
4. Carpet sweeping
 - a. Vacuum all carpeting 1-2 times per week - *upstairs everyday*
5. Dusting throughout with the exception of private desks

Cost per week: \$150.00

Necessary cleaning supplies to be provided by the city.

Lisa Konkle *1-1-09*
Lisa Barringer Konkle Date

Dave Adams *1-1-09*
Dave Adams, Clerk-Treasurer Date

Tim Armstrong *1-1-09*
Tim Armstrong, Mayor Date

January 01, 2009

To: Mayor Armstrong

From: Tammy Boldery
Louann Waller

City Hall Housekeeping Proposal

Tammy Boldery and Louann Waller do hereby propose the following:
Tammy and Louann will accept as independent contractors responsibility to:

1. Clean four (4) bathrooms (upper, main and basement)
 - a. Sweeping/mopping floors 2-3 times per week
 - b. Clean toilets 3-4 times per week
2. Clean front and back entries
 - a. Sweep/mop lobbies 2-3 times per week - *Everyday*
 - b. Clean glass doors 1-2 times per week - *Everyday*
3. Empty wastebaskets - *Everyday*
4. Carpet sweeping
 - a. Basement and stairs
 - b. Main floor lobby
 - c. Meeting rooms
 - d. Upstairs
5. Dusting throughout with the exception of private desks

Tammy and Louann will each have a designated two (2) weeks with coverage to be provided by each other.

Cost per week: \$200.00 (\$100.00 each person)

Necessary cleaning supplies to be provided by the city.

Tammy Boldery 1-1-09
Tammy Boldery Date

Louann Waller 1-1-09
Louann Waller Date

Dave Adams 1-1-09
Dave Adams-Clerk-Treasurer Date

Tim Armstrong 1-1-09
Tim Armstrong, Mayor Date